

Message Text

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C O N F I D E N T I A L JIDDA 2421

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TAGS: EFIN, SA, PDEV

SUBJECT: SAUDI VIEWS ON NEW SAUDI-AMERICAN RELATIONSHIP

REF: A) STATE 85347 B) JIDDA 2420

SUMMARY: I MET MAY 4 WITH MINISTER OF PETROLEUM YAMANI; MINISTER OF STATE FOR PLANNING NAZER; AND MINISTER OF STATE FOR FINANCE AL-KHAIL TO DISCUSS NEW SAUDI-US RELATIONSHIP. AMONG SUBJECTS OF GREATEST CONCERN IS MANPOWER AND MANAGEMENT TRAINING. YAMANI PARTICULARLY INTERESTED IN OUR PROPOSALS ON TRADE RELATIONS AND HE IS THINKING OF SPECIAL TREATMENT IN US FOR PRODUCTS OF JOINT VENTURES. THEY ALL INTERESTED IN SCIENTIFIC AND TECHNICAL IDEAS AND HOPE WE HAD IN MIND SERIOUS PROPOSALS FOR ACTION. THEY HOPED US WOULD NOT PUT TOO MUCH PUBLIC EMPHASIS ON FIANANCE AND INVESTMENT LEST IT APPEAR SPECIAL RELATIONSHIP DESIGNED TO LET USG GET ITS HANDS ON SAUDI BILLIONS. THEY AGREED, HOWEVER, THIS AN IMPORTANT SUBJECT APPROPRIATE FOR DISCUSSION. THEY ALSO EXPRESSED CONCERN OVER SECURITY/DEFENSE MATTERS AND APPREHENSION THAT USG MIGHT SOLVE ITS BALANCE OF PAYMENTS PROBLEMS BY SELLING VAST AMOUNTS OF USELESS MILITARY EQUIPMENT TO SAUDI ARABIA. I REASSURED THEM ON THIS POINT. END SUMMARY.

1. I MET THIS MORNING (MAY 4) FOR A HOUR AND A HALF WITH AHMED ZAKI YAMANI, MINISTER OF PETROLEUM; HISHAM NAZER, CONFIDENTIAL

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MINISTER OF STATE FOR PLANNING; AND MOHAMMAD ABUL ABA AL-

KAHAIL, MINISTER OF STATE FOR FINANCE, AND REVIEWED WITH THEM THE STATE OF OUR THINKING ON THE NEW RELATIONSHIP (REF A). THEY TOOK COPIOUS NOTES.

2. ALL THREE SAID EVERY ITEM WAS IMPORTANT AND SHOULD BE PURSUED. THERE WERE SOME MATTERS THAT INTERESTED THEM MORE THAN OTHERS.

3. THE MATTER TO WHICH THEY WERE MOST ATTRACTED WAS MANPOWER AND MANAGEMENT TRAINING (REF B). THEY RECOGNIZED THIS AS THE BIGGEST PROBLEM THE COUNTRY WAS FACING AND HOPED THAT THE UNITED STATES WOULD PROPOSE TRAINING PROGRAMS BOTH IN SAUDI ARABIA AND IN THE UNITED STATES.

4. THEY WERE DELIGHTED THAT WILLIAM SIMON WOULD HEAD THE ECONOMIC/FINANCIAL SUBCOMMITTEE AND UNDERSTOOD OUR REASONS FOR PROPOSING THAT THE SCIENTIFIC/TECHNICAL COMMITTEE BE ABSORBED IN THE ECONOMIC/FINANCIAL ONE.

5. THEY WERE VERY CURIOUS AS TO WHAT WE WOULD PROPOSE ON FINANCE AND INVESTMENT AND HOPED THAT TOO MUCH EMPHASIS WOULD NOT BE PLACED ON THIS. THIS WOULD ALL COME NATURALLY, THEY SAID, BUT THEY HOPED THE WORLD WOULD NOT CONCLUDE THAT THE ONLY PURPOSE OF OUR PROPOSALS WAS TO GET OUR HANDS ON THE SAUDI BILLIONS.

6. I SAID THIS WAS A MATTER OF GREAT IMPORTANCE NOT ONLY TO US BUT TO THE WORLD AND SAUDI ARABIA COULD NOT NEGLECT THE PROBLEM. WE ALL WANTED TO KNOW WHAT SAUDI ARABIA WAS GOING TO DO WITH ITS SURPLUS FUNDS AND REGARDLESS OF WHAT IS DONE WITH INVESTMENT IN THE COUNTRY, THERE WILL BE MONEY LEFT OVER. THEY ALL AGREED BUT AGAIN ASKED THAT OUR SPECIFIC PROPOSALS BE BURIED IN BROADER STATEMENTS ON ECONOMIC DEVELOPMENT.

7. HISHAM NAZER SAID THE SAUDIS ALREADY ARE FACING DOZENS OF IDEAS ON HOW TO HANDLE THEIR MONEY. RIYADH, HE SAID, WAS FULL OF BANKERS AND THIEVES, ALL OF THEM WITH PROPOSALS ON HOW TO ABSORB SAUDI SURPLUSES. HE SAID, "AS FAR AS I'M CONCERNED, THERE'S NO DIFFERENCE BETWEEN THE TWO." I SAID ONE OF THE THINGS WE MIGHT BE ABLE TO DO WOULD BE TO HELP THEM DIFFERENTIATE.

8. YAMANI WAS PARTICULARLY INTERESTED IN WHAT WE MIGHT PROPOSE
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ON TRADE RELATIONS. HE SAID WHAT HE HAD IN MIND WAS SPECIAL TREATMENT FOR PRODUCTS OF JOINT VENTURES IN THE UNITED STATES; I.E. A BASIC PETROCHEMICAL PLANT IN SAUDI ARABIA OWNED JOINTLY BY THE UNITED STATES AND SAUDI ARABIA FEEDING INTO ADVANCED PLANTS IN THE UNITED STATES, AGAIN JOINTLY OWNED. HE THOUGHT THE US-CANADIAN RELATIONSHIP MIGHT BE A GOOD MODEL FOR THIS. I TOLD HIM I HAD FOLLOWED CANADA CLOSELY FOR YEARS AND WAS NOT SURE IF WE WANTED TO MODEL ANY

NEW RELATIONSHIP ON THIS PARTICULAR ONE. ALL THREE, BUT ESPECIALLY NAZER, WERE INTERESTED IN THE SCIENTIFIC-TECHNOLOGICAL IDEAS AND SAID THEY WONDERED HOW WE INTENDED TO ADVANCE THEM. NOT JUST BY SENDING PROFESSORS OUT FOR A FEW LECTURES, THEY SAID, BUT BY MAKING SERIOUS PROPOSALS FOR ACTION HERE AND ABROAD.

10. ALL THREE WERE QUITE APPREHENSIVE ABOUT THE SECURITY/ DEFENSE MATTERS. ABA AL-KHAIL SAID HE WAS AFRAID THAT THE UNITED STATES MIGHT BE TEMPTED TO USE THIS AGREEMENT AS AN EXCUSE TO LOAD ALL MANNER OF EXPENSIVE AND USELESS EQUIPMENT ON SAUDI ARABIA, JUST TO SOLVE OUR BALANCE OF PAYMENTS PROBLEMS.

11. I DENIED THIS VIGOROUSLY AND CONTRASTED OUR POSITION WITH THAT OF THE RUSSIANS IN IRAQ IN 1958. THE PROBLEM, I THOUGHT, WOULD BE THE REVERSE --THE SAUDIS INSISTING ON RECEIVING EQUIPMENT WHICH WE DOUBTED THEY COULD USE. YAMANI SAID THAT OUR ARMS SALESMEN WOULD SEE TO IT THAT THE SAUDI MILITARY MEN'S APPETITES WERE AROUSED. I ACCEPTED THIS POSSIBILITY BUT ASSURED HIM THAT THE US GOVERNMENT WOULD NEVER BE A PARTY TO IT. OUR PROPOSALS ON THE MILITARY WOULD BE SENSIBLE AND SOUND.

12. THEY ASKED ABOUT THE TUPE AGREEMENT WE MIGHT HAVE IN MIND; WOULD IT BE AN INFORMAL ONE, AN EXECUTIVE AGREEMENT OR A TREATY? WE DISCUSSED THE ADVANTAGES AND DISADVANTAGES OF ALL AND I SAID THIS COULD BE PURSUED FURTHER EITHER DURING THE FORTHCOMING KISSINGER VISIT OR DURING FAHD'S VISIT TO THE US.

13. I CONCLUDED BY SAYING THAT NOTHING WE HAD DECIDED WAS FIRM; THAT WE WOULD RESPOND TO THEIR REQUESTS AND DESIRES AND WE WOULD BE PREPARED TO DISCUSS ANY OTHER MATTER THEY WISHED TO RAISE IN ADDITION TO THOSE SUBJECTS RAISED WITH OUR ECONOMIC COUNSELOR THE END OF APRIL (REF B).

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